**Claims:**

Please cancel all of the claims of record and substitute new claims 21 through 40 as follows:

1-20 (cancelled)

21. (new) A method for constructing a collateral loss coverage contract where the coverage buyer is an insurer, comprising the steps of:
    a. specifying an insurance policy written by said insurer;
    b. specifying the payments that will be made under said contract as a mathematical function of the losses paid by said insurance policy; and
    c. using a mathematical function of the premium that is paid for said insurance policy to determine the premium paid for said contract.

22. (new) The method of claim 21 that is used to construct any type of non-insurance contract.

23. (new) The method of claim 21 where said insurance policy is a casualty insurance policy.

24. (new) The method of claim 21 where said insurance policy is a property insurance policy.

25. (new) The method of claim 21 where said insurance policy is a health insurance policy.

26. (new) The method of claim 21 where said insurance policy is a life insurance policy.

27. (new) The method of claim 21 where said payments are expressed as a mathematical function that is directly proportional to said losses paid by said insurance policy.

28. (new) The method of claim 21 where said payments are expressed as a mathematical function that is not directly proportional to said losses paid by said insurance policy.

29. (new) A method for constructing a collateral loss coverage contract, comprising the steps of:
   a. specifying a reinsurance policy;
   b. specifying the payments that will be made under said contract as a mathematical function of the losses paid by said reinsurance policy; and
   c. using a mathematical function of the premium that is paid for said reinsurance policy to determine the premium paid for said contract.

30. (new) The method of claim 29 that is used to construct any type of non-insurance contract.

31. (new) The method of claim 29 where said reinsurance policy is a casualty reinsurance policy.

32. (new) The method of claim 29 where said reinsurance policy is a property reinsurance policy.

33. (new) The method of claim 29 where said reinsurance policy is a health reinsurance policy.

34. (new) The method of claim 29 where said reinsurance policy is a life reinsurance policy.

35. (new) The method of claim 29 where said payments are expressed as a mathematical function that is directly proportional to said losses paid by said reinsurance policy.

36. (new) The method of claim 29 where said payments are expressed as a mathematical function that is not directly proportional to said losses paid by said reinsurance policy.

37. (new) A method for pre-negotiating collateral loss coverage contract terms, comprising the steps of:
   a. specifying a type of reinsurance policy;
   b. specifying the payments that will be made under said contract as a mathematical function of the losses paid by said type of reinsurance policy;
   c. using a mathematical function of the premium that is paid for said type of reinsurance policy to determine the premium paid for said contract; and
   d. communicating said acceptable combinations to potential coverage buyers.

38. (new) The method of claim 37 that is used to construct any type of non-insurance contract.

39. (new) The method of claim 38 where said type of reinsurance policy is a casualty reinsurance policy.

40. (new) The method of claim 39 where said type of insurance policy is a health reinsurance policy.